



CUNA & Affiliates
A Member of the Credit Union System

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November 21, 2005

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Comments on Proposed Rule Section 741.6 -
Call Reports

Dear Ms. Rupp:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on a proposed rule regarding the upcoming changes in the Financial and Statistical Report, also known as the Call Reports or 5300 Reports. The new changes will require all federally insured credit unions to file the same quarterly Call Report. The abbreviated report currently filed in the first and third quarters by credit unions with assets less than ten million dollars will be eliminated. CUNA represents approximately 90 percent of our nation's nearly 8,700 federal and state-chartered credit unions, which serve nearly 87 million members.

Summary of CUNA's Comments

- Credit unions generally agree that while these changes may increase the paperwork burden to some extent for small credit unions, the filing of the revised Call Reports on a quarterly period will not be significantly more burdensome than filing the current Call Reports, along with the abbreviated reports in the first and third quarters.
- CUNA believes NCUA could significantly reduce the compliance burden of the Call Reports even further and has provided a number of examples of how this can be accomplished.
- Small credit unions will need time to prepare the additional data and all credit unions, regardless of assets, should be given sufficient time before use of the new Form 5300 is required. If the new form is not approved by the end of this year, then the use of the new Form 5300 should not be required prior to the first quarter of 2007.



The proposed rule will require all federally insured credit unions to file the same quarterly Call Report form, which has now been revised. The revised Form 5300 consolidates information, reduces the number of schedules, and is designed to be easier to read and used. NCUA plans to begin using the new form in September 2006. Currently, all federally insured credit unions file a quarterly Call Report, although credit unions with less than ten million dollars in assets have the option of filing a short form in the first and third quarters.

NCUA believes this new form will provide the following benefits for credit unions:

- It will have a consistent appearance for each cycle, which will eliminate confusion for smaller credit unions.
- The new form is shorter. It will be sixteen pages, as compared to the current nineteen-page form.
- It is designed so small credit unions will generally not have to complete the supporting schedules. Only the first ten pages will require input by all credit unions. Although this is longer than the current eight page short form, NCUA believes the simplified format of the new form will reduce the burden of the slightly longer form.
- The number of schedules will be reduced from seven to three. The remaining three schedules will be Specialized Lending, Investments, and CUSO Information.

CUNA has discussed these changes with a number of smaller credit unions. These credit unions generally agree that while these changes may increase the paperwork burden to some extent, the filing of the revised Call Reports on a quarterly period will not be significantly more burdensome than filing the current Call Reports, along with the abbreviated reports in the first and third quarters. For this reason, CUNA supports the proposal to use one Call Report for all credit unions as this will improve overall efficiency and reduce costs for NCUA, make comparisons easier between credit unions of all sizes, improve NCUA's quarterly trend analysis, simplify maintenance of the 5300 reporting system, and improve the accuracy of the information that is collected.

CUNA supports NCUA's ongoing process to streamline the Call Reports as much as possible and agrees that these draft revisions represent an improvement. However, CUNA believes NCUA could significantly reduce the compliance burden even further, with little or no loss of information it needs, by making the following changes:

- Give advance notice of additions and changes – Credit unions appreciate the opportunity to see the proposed changes for 2006 in advance. NCUA should always provide credit unions with significant advance notice of changes and additions to the Call Report, along with a detailed explanation of these changes.

- Eliminate unnecessary or redundant information – Credit unions have questioned the need for certain information required on the Call Reports, including the following:
 - The number of loan and share accounts of various types.
 - Information on interest rates charged for loans and on dividend rates paid on shares and deposits.
 - A quarterly update on whether each credit union offers electronic cash, account aggregation, and other electronic services, along with the number of members that use the credit union's transactional web site. It may be appropriate to answer these questions as part of the examination process.
- Eliminate overlaps and inconsistencies across different parts of the 5300 – It would be helpful for both credit unions and the users of the information if NCUA would create mutually exclusive categories for the requested information, to the extent possible. Some of the most confusing examples relate to business loans since they may be reported in a number of different loan categories, depending on the loan's collateral type. On the business and real estate loan schedules, the same loan can be reported a number of times in different categories, and sometimes related unfunded commitments may also be included. As a result, a user of the information cannot easily determine the amount of business loans outstanding. Some of this confusion can also be alleviated by improved explanations. One example would be for NCUA to provide a detailed explanation on how to report participation loans.

There are also a number of examples of information requested on the Call Report that a credit union could provide once, instead of providing the information each quarter. One example is noted above regarding the request as to whether each credit union offers electronic cash, account aggregation, and other electronic services. For this type of information, the credit union should only be required to provide this information at the time these services are first provided, unless there is a change from the previous quarter. There are numerous examples throughout the entire Call Report in which this approach could apply.

Overall, we encourage NCUA to continue streamlining the form so that it focuses on the essential information necessary to effectively regulate credit unions. CUNA would welcome the opportunity to work with NCUA in this effort.

Smaller credit unions have expressed concern with the response reports that they have received from NCUA, especially those credit unions that have reported activities that are not commonly reported. One example is when more mortgages are sold than are kept by the credit union. NCUA has requested that the credit union review this information multiple times, even though the credit union adequately explained that the information is reported in this manner because it does not hold long-term mortgages.

Also, since the revised Call Report may impose additional paperwork burden on credit unions, small credit unions will need time to prepare the additional data and all credit unions, regardless of assets, should be given sufficient time before the use of the new Form 5300 is required. The new Form 5300 is substantially different than the current form, and credit unions will need time to become familiar with the revised format.

If the new form is approved and made available to all credit unions before the end of 2005, then CUNA would support NCUA's proposed implementation date of September 2006. If the new form is not approved by them, then the use of the new Form 5300 should not be required prior to the first quarter of 2007.

Thank you for the opportunity to comment on the proposal regarding the upcoming changes to the Call Reports. If Board members or agency staff have questions about our comments, please contact Senior Vice President and Associate General Counsel Mary Dunn or me at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Bloch", is written over a light blue rectangular background.

Jeffrey Bloch
Senior Assistant General Counsel